

HEUBLEIN 1975 ANNUAL REPORT





Finger-licking, palate-pleasing good taste is a universal joy of mankind.

That is what this report depicts, in part . . . that and the growing business that Heublein has built by serving good taste in food and drinks to consumers all over the world.

Started 100 years ago as a small venture in spirits, wine and food importing, the Heublein company has grown to a billion-dollar-plus business whose products are marketed in 107 countries.

To Heublein, satisfying good taste is a serious business.

In its laboratories in Hartford, Louisville and California, it is forever searching out new experiences in food and drinks for consumers to enjoy. First tested by trained taste panels, then monitored in select markets, those products that emerge with approval are then added to the Heublein line.

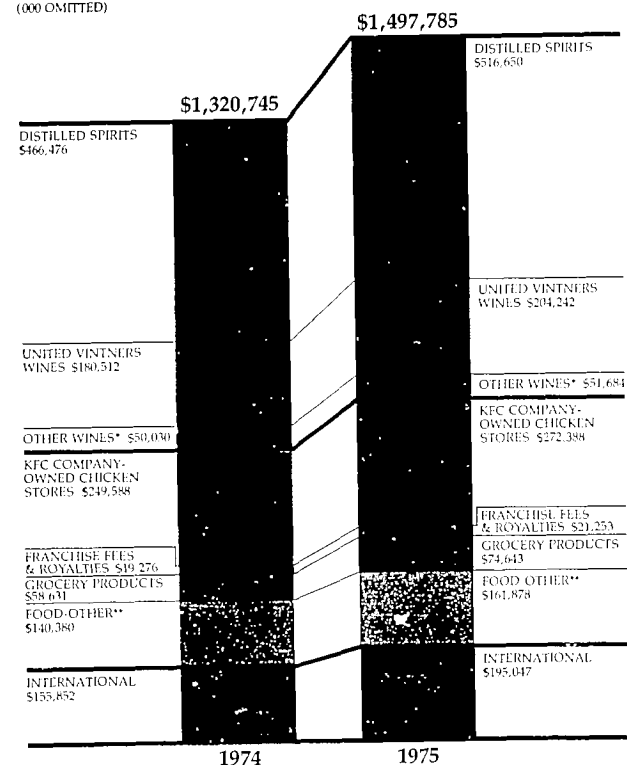
This year, Heublein marketed more new products than in any prior year. It also culled out products that were past their prime, and that is an important part of the process too.

This ability to create and market products of satisfying good taste is a Heublein hallmark and the reason why its business grows year after year.

HEUBLEIN INC.

Sources of Sales and Revenues

(000 OMITTED)



*IMPORTS AND BEAULIEU VINEYARD

**PRIMARILY POULTRY AND STORE EQUIPMENT AND SUPPLIES



Financial Highlights

Year Ended June 30	1975	1974	Percent Increase
FOR THE YEAR:			
Revenues	\$1,497,785,000	\$1,320,745,000	13%
Income before provision for income taxes	123,610,000	114,410,000	8
Provision for income taxes	62,114,000	60,000,000	4
Net income	61,496,000	54,410,000	13
Earnings per share:			
Primary	2.90	2.57	13
Fully diluted	2.79	2.49	12
Cash dividends declared per common share	1.075	.98	10
AT JUNE 30:			
Working Capital	216,649,000	210,055,000	
Shareholders' equity	324,568,000	289,053,000	
Shareholders' equity — per common share	15.24	13.46	
Number of common shareholders	27,174	27,493	



The Chairman's Message

In fiscal 1975, the United States plunged into the worst recession in two generations, and the world economy stopped growing.

In this year of upheaval and uncertainty, Heublein achieved its goal of a 13 per cent increase in earnings — a goal set before the severity of the economic crisis became evident.

The fiscal year had just begun when Heublein adjusted its plans to dramatically changing circumstances. It did so

quickly and effectively. The steps taken are described in the accompanying message from Hicks B. Waldron, President and Chief Operating Officer of your company.

The basic strength of your company, which enabled us to succeed as we did, arises from four essential characteristics:

First, Heublein is a marketing company. All its plans, resources and operations are directed to serving the consumer marketplace. Our ability to detect and satisfy changing consumer desires was tested as never before in turbulent 1975 — and the results were successful.

Second, Heublein has a unique position in the fastest-growing segments of the food and alcoholic beverage businesses. In distilled spirits, for instance, we do not compete in static categories such as bourbons and blends. We concentrate on the growth categories — vodka, tequila, bottled-in-U.S.-Canadian whisky, cordials and prepared cocktails — categories where we have outstanding brands. We follow a similar approach in our food business, where we concentrate on quick-service foods and specialty food products.

Third, Heublein is well-equipped to serve the consumer lifestyle that is emerging in all major markets of the world. Despite recent economic woes, indications are that consumers still intend to lead active and enjoyable lives. Heublein's many food and beverage products help fulfill this universal desire.

Fourth, the Heublein organization and management team is aggressive, experienced and skilled in making the



The President's Message

our priorities and bring our operating plans into line with the changing business climate.

Essentially, the actions taken were:

1. All advertising, merchandising and promotion budgets were revised, and greater emphasis was placed on advertising. At Kentucky Fried Chicken, for example, we developed a more effective promotional plan attuned to local markets and backed by television advertising stressing a value message.

2. Operating budgets were reworked, reducing administrative costs substantially.

3. A new management organization plan, intended to go into effect at the start of fiscal 1976, was advanced to January 1975. An executive vice president, five vice president-group executives and six staff vice presidents now report directly to the President, permitting closer direction and control over the operations of our business.

Chris W. Carriuolo, formerly head of our Beverage Group, moved into the newly-established position of executive vice president. His assignment includes such key tasks as strategic planning, economic and market research, development of new business, new product concepts, and coordinating corporate marketing and advertising policy.

In addition, the following vice presidents were appointed group executives. Paul R. Dohl, Spirits, J. Richard Grieb, Grocery Products, Michael A. Miles, International; John A. Powers, Wines, and Barry M. Rowles, Food Service and Franchising. Earlier in the year, Roy E. Stone was named to the new post of vice president in charge of technical resources.

4. A materials procurement task force was established, with representatives from all operating groups, to make sure we operated without shortages or stockpiles. We accomplished that goal. We also established an energy task

Operating in the demanding environment described in Stuart Watson's letter, Heublein achieved its financial goals in 1975 with a gain of 13 per cent in sales and revenues and 13 per cent in earnings and earnings-per-share.

Your company again achieved an exceptionally good 20 per cent return on equity, a goal established several years ago. Retained earnings rose 29 per cent, to \$170 million, providing the seed capital for future growth.

Heublein is committed to tight planning — and to fast but flexible execution of those plans. Both the planning and the flexibility were necessary this year.

Last summer, one month into fiscal 1975, we saw our operating plans begin to be affected by the deteriorating general business situation. So we moved quickly to review

most of opportunities. It is a relatively young team possessed of strong entrepreneurial spirit and professional management skills. The results of fiscal 1975 attest to its effectiveness.

This year, all three of Heublein's basic businesses — alcoholic beverages, foods and international — had record sales and revenues and operating income. Details of their performance are given in subsequent sections of this report.

Heublein is known as a "people company," which attracts and motivates highly capable people. We are placing new emphasis on the development of our human resources, for as the business grows, so do our management needs.

We have reaffirmed our commitment to the policy of equal employment opportunity. The number of women and minority group members employed by Heublein increased again this year, continuing the progress of recent years.

We believe that equal employment opportunity is the right policy, morally as well as legally. It is right in a business sense as well, for it enables us to draw on a larger reservoir of talent which is more fully representative of our society.

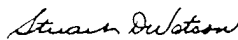
Heublein's concern with people naturally extends to those who buy and use our products. By far, the majority of people using alcoholic beverages use them moderately and enjoyably. For a small minority, alcohol represents a

problem. We recognize the problem of alcohol abuse and believe the answer lies in further research into the complex reasons for alcoholism. We also see the need for greater education on proper use of alcoholic beverages.

We continue to cooperate with government and private organizations working in this direction, and this year we went further on our own. We included a moderation message in many of the ads for our most important beverage product, Smirnoff.

Looking ahead, some of the competitive and environmental forces of 1975 will carry over into 1976, and new ones can be expected. Under these conditions, our goal of significantly expanding the business each year requires hard decisions among alternative programs of capital generation and utilization.

The strategic planning process to which Heublein is committed has proved to be of great value in making these decisions, thus assuring the most effective use of all our resources. With this disciplined planning capability, the high-level performance of our employees, and the continued support of our shareholders and the Board of Directors, I am confident that 1976 will be another successful year for your company.



Stuart D. Watson
Chairman

force, which paid off in savings and new efficiencies.

5. New product introductions were accelerated to the highest level for any year in the company's history. Given the business conditions that existed, this move involved some risk, but it proved to be a very successful one.

6. In our decisions on capital expenditures, we became more selective. Construction neared completion at the new plant in Oxnard, California which will double our production capacity for specialty grocery products. Lesser capital needs were undertaken on a priority basis, but many planned expenditures were postponed.

7. We prepared for our future financial needs by a timely entry into the capital market, placing \$90 million in notes at a favorable rate of 8 3/4 per cent.

8. Each operating group reviewed its accounts receivable and inventories, planning to improve its working capital position. As a result, the total number of days of receivables and inventories were reduced.

9. We reviewed our entire product line and eliminated slow-moving items.

These measures increased sales, while reducing costs by several million dollars. Heublein came through a difficult fiscal year in good order, and stronger for the experience.

In the area of human resources, we continued to make meaningful progress toward our equal employment opportunity goals. Minority group employees now constitute 24.4 per cent of Heublein's work force, and women are 45 per cent — up from last year's figures of 21.9 and 41.4 per cent, respectively. Both groups are well-represented in the officials and managers job category, with minority employees holding 18.1 per cent of these positions and women 13.1 per cent.

Shortly after the close of the fiscal year there was an important development in the Federal Trade Commission

complaint against Heublein's 1969 acquisition of United Vintners, Inc. Agreement was reached with the FTC staff on a proposed settlement which would call for Heublein to divest itself of a portion of its United Vintners' assets.

Further details of the proposed settlement are given in the Notes to the Consolidated Financial Statements. In any event, the settlement has not yet received final approval from the FTC, and if it does, Heublein will have at least two years to implement the agreement. The two-year period will not begin until certain issues between Heublein and Allied Grape Growers, with regard to grape supply, are settled. In the meantime, we will continue working to build United Vintners' sales and profitability.

In fiscal 1976, we look for a gradually improving operating environment in the U.S., with recovery coming somewhat later in key markets abroad. As inflation abates and the recession wanes, consumer confidence should rise. Compared to the galloping increases of 1975, material costs should stabilize, although they will continue to edge higher. Gasoline prices are rising, but because most of Heublein's products are bought close to home, our business should not be significantly affected.

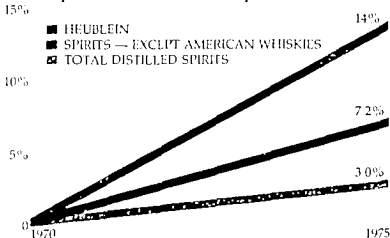
Our management team has sharpened and intensified its planning capabilities, and in planning for fiscal 1976 we have tried to anticipate the full range of problems and opportunities. The performance of our operating units in 1975 is an added source of encouragement for our expectation of solid growth in 1976.



Hicks B. Waldron
President



Compound Growth — Distilled Spirits



As shown above, unit sales of distilled spirits in the U.S. grew at an estimated compound rate of 3% for the period 1970-1975. Excluding American Whiskies — a declining category, where Heublein doesn't compete, the estimated industry growth rate was 7.2%. Sales of Heublein distilled spirits products grew at a compound rate of 14% for the same period.

Spirits and wine consumption in the U.S. is a \$15 billion-plus business and it grew again in fiscal year 1975 despite the recession.

Totally, case volume of spirits grew about two per cent. But excluding American whiskies — which have been declining over the years — the remaining segment, which includes Canadian whiskies, vodka, rum, tequila, prepared cocktails and cordials, grew an estimated six per cent.

It is this faster-growing segment in which Heublein operates, and last year Heublein's case volume was up nearly nine per cent.

Similarly, consumption of California wines increased an estimated seven per cent for the year, but United Vintners, Heublein's California wine company, had a case volume gain of 16 per cent.

Two principal factors accounted for Heublein's growth in these two industries. It is well-positioned in the fastest-growing product categories and our managers were aggressive in making the most of their opportunities.

Sales and revenues from Heublein's beverage operations, which include the Spirits Group in Hartford and the Wines Group in San Francisco, totaled \$773 million, up 11 per cent from a year ago. Operating income increased 21 per cent to \$63 million.

When early in the year it became clear that profit margins would be squeezed by higher raw materials and other costs, the Spirits and Wines Groups reassessed and modified their plans and then executed them with a high degree of effectiveness. Cost reduction programs were activated, marketing funds were redeployed to put greater thrust behind advertising, and new products were introduced on the strength of demonstrated consumer interest in products of value, which persisted despite the hold-back in consumer spending.

As the U.S. economy slowed down this year, there was noticeable trading-down among spirits consumers. Higher-priced Scotches, bottled in Scotland, and Canadian whiskies, bottled in Canada, lost ground to the same products bottled in the U.S. Smirnoff, relatively lower-priced, but the top of the vodka category, benefitted in the trade-down from higher-priced spirits, but in turn, lost some to Relska and Popov.



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Consumer price-consciousness helped brands such as Black Velvet Canadian Whisky but it hindered Heublein's aggressive attempts to expand the market for Black & White imported Scotch.

It was surely the year of vodka. Vodka was the fastest-growing major spirits category and passed straight bourbon to become the nation's number-one-seller. Heublein, with three major brands, garnered much of the benefit.

Smirnoff, the nation's leading vodka brand, continued to enjoy strong demand. An accurate picture of Smirnoff's growth is provided by comparing its sales over the two-year period from 1973 to 1975. This eliminates the imbalance caused by the unusually heavy inventory build-up that occurred late in fiscal 1974, prior to price increases, followed by severe inventory reductions that took place in the liquor industry, and most other industries, late in fiscal 1975.

During the period from 1973 to 1975, Smirnoff shipments increased more than 21 per cent. The average yearly gain of more than 10 per cent is among the highest for any leading liquor brand in that period.

Popov and Relska, Heublein's two other main vodka brands, also had substantial sales gains this year and now have combined volume of just under three million cases.

Tequila, bottled-in-the-U.S. Canadian whisky, cordials and prepared cocktails are all in the faster-growing segment of U.S. spirits, and Heublein has either the leading brand or a strong contender in each of these categories.

The Club Cocktails and Relska Vodka each exceeded the million case sales figure this year, joining Smirnoff, Black Velvet and Popov in that exclusive rank. Black Velvet, Heublein's popular Canadian whisky, had a good year, growing at more than three times the rate of the Canadian category.

New products and product line extensions had a lot to do with the over-all increased growth of the Spirits Group.

Club Cocktails in cans introduced the very popular Tequila Sunrise and the Bloody Mary, sparking a sales growth rate for Club Cocktails that topped any other Heublein spirit. While sales of Heublein Full-Strength Bottled Cocktails were down slightly, the strong appeal of Club Cocktails helped to expand the total prepared cocktail market.

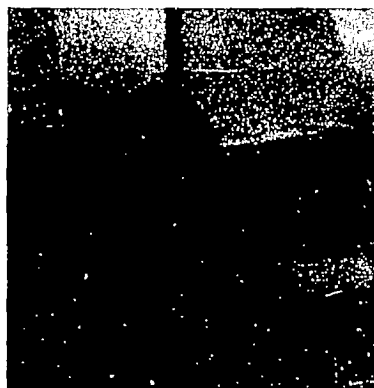
Arrow Cordials increased its sales with three new drinks: Blue Curacao, Creme de Cassis and Chocclair, the latter a deluxe chocolate-coconut drink.

Two entirely new product concepts with names as interesting as the drinks themselves — Yukon Jack and Malcolm Hereford's Cows — exceeded expectations in test markets, so their move into major national markets has been advanced to early fiscal 1976.

Yukon Jack is a 100-proof Canadian whisky liqueur that is different. So different that it has been billed in advertising as "the black sheep of Canadian liquors."

Malcolm Hereford's Cows, also newcomers, are light, 30-proof spirits blends that come in such delectable flavors as strawberry, mocha, banana and chocolate mint. The Cows were introduced in Chicago, where strong consumer acceptance shows them to be perceived for just what they are — delicious light drinks.

Beyond their immediate success, these new products have added value as a guide for other product introductions in this changing U.S. market.







Production facilities were expanded at the Group's spirits plants in Hartford and in Allen Park, Michigan, where warehouse capacity was also increased by 40 per cent.

Imported wines, marketed by Heublein Wines International, are another facet of the Spirits Group. Sales of imported wines in the U S suffered their first decline in more than a quarter-century in this recessionary year. Heublein Wines International felt the impact of this development, plus the effect of inventory reductions, but still increased its sales over the prior year.

The wine imports that suffered most from the decline were those with little brand franchise in the U S. market. But the bulk of Heublein's imported wine business is in premium wines with well-promoted brand names.

Heublein's two leading wine imports are Harveys Bristol Cream, the nation's leading imported premium sherry, and Lancers Wine, which includes the trio of a Rosé, a Vinho Branco white wine, and Lancers Rubeo red wine. Both Bristol Cream and Lancers increased their sales this year and strengthened their competitive positions, backed by extensive promotion on television and in magazines.

Production expansion was a key accomplishment in another Heublein enterprise — the Beaulieu Vineyard of Napa Valley, California. The demand for Beaulieu's esteemed estate-bottled wines, marketed by Heublein Wines International, exceeded supply in several parts of the country this year. But with the added plant capacity, distribution will improve.

Heublein's big volume of California wines is produced and sold by its Wines Group, through its operating arm, United Vintners, Inc.

United Vintners, headquartered in San Francisco, had another year of record sales in fiscal 1975 and increased its market share for the third year in a row.



More than half the gain in consumption of all California wines in the 12 months of this fiscal year was accounted for by United Vintners. Its table wines grew substantially faster in sales than the industry in this major category of California wines, and its refreshment wines had the highest growth rate, by far, in their category.

A combination of wholly new products, additional products under well-established labels, restaging of marketing concepts and sound execution all along the line is what did it.

United Vintners' newest big-selling product is T.J. Swann, a refreshment wine like Annie Green Springs, which was introduced two years ago. Together they accounted for sales of more than six million cases.

Annie Green Springs added a fifth flavor — Apricot Splash — to its Country Cherry, Berry Frost, Peach Creek and Plum Hollow flavors and, in the three years since it first appeared, has sold 10 million cases.





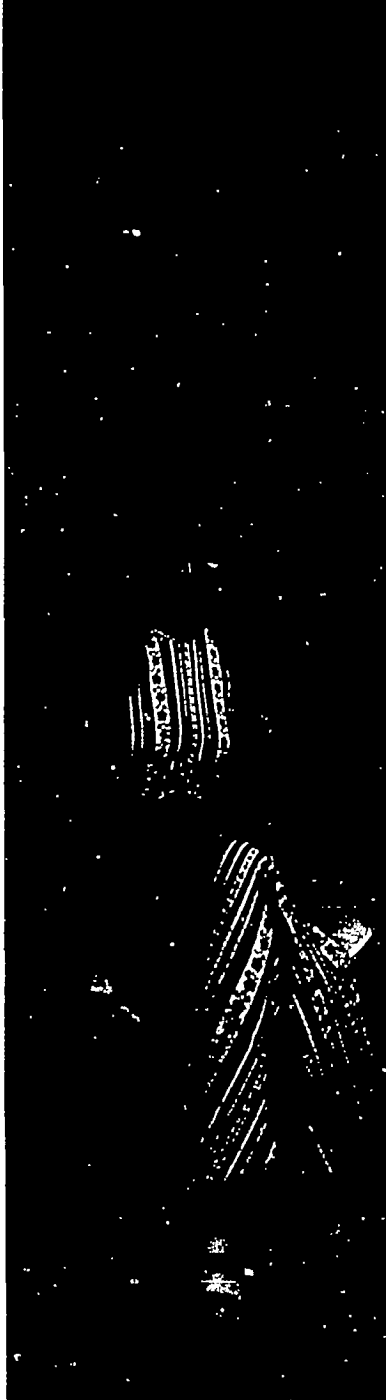
Inglenook, one of California's top premium labels, introduced varietal wines priced under \$2.00 in its Navalle line, with great success.

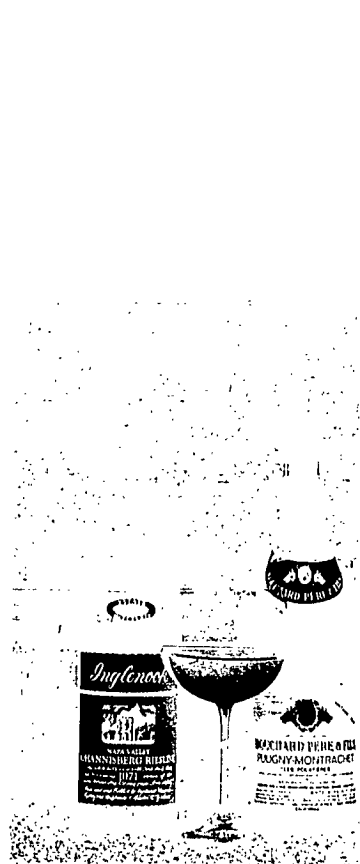
A significant restaging of the Italian Swiss Colony wines, United Vintners' volume brand, was begun in the latter part of fiscal 1974 and carried forward this year. It included reformulating the wines, new and improved packaging, and more effective advertising and merchandising. Consumer response made it all well worth the effort.

In recent years the market has been declining for sweet dessert wines, a category that traditionally has been of great importance to United Vintners. To help expand this market, United Vintners introduced a new line of dessert wines under the Colony label. Featuring improved blends and more attractive packaging, the new line met with a good response from wholesalers, retailers and consumers.

The restaging of the Petri brand of lower-priced table and sweet wines was begun this year, with the culling down of the line to those wines with the broadest appeal and highest profitability.

Concurrent with all this marketing and sales activity, United Vintners made revisions and improvements in its warehousing and distribution to gain a greater return on its capital investments.





Early fiscal 1975 was a turbulent time for America's food industry, but the major segments served by Heublein gained strength as the year progressed. By focusing on growth areas, Heublein's food operations showed a 13 per cent gain in revenues for the year.

That gain was achieved despite a relatively slow first half, during which revenues increased only seven per cent. The same pattern was true with operating income, which was down eight per cent in the first half, but recovered strongly in the second six months to finish the year with a five per cent gain.

The restaurant business — where Heublein is represented by the Food Service and Franchising Group — showed a gain of more than 10 per cent in sales. Despite inflation, unemployment, expensive gasoline and other economic impacts, Americans again purchased more meals than ever before outside the home. Quick-service restaurants got an increasing share of this market.

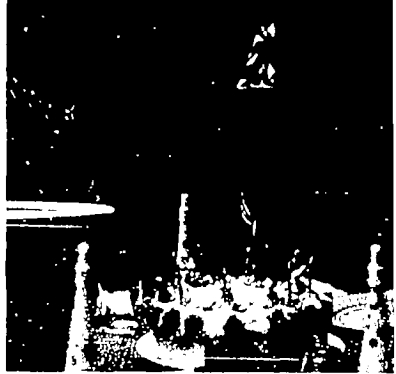
Although the supermarket industry increased its unit volume by less than one per cent as demand for some product categories declined, a five per cent increase in volume was achieved by Heublein's Grocery Products Group, whose sauces and specialty foods were relatively immune to recessionary factors.

It was an eventful year for the Food Service and Franchising Group, which is based in Louisville, Kentucky and includes KFC Corporation, the Retail Venture Company, and Spring Valley Foods, a poultry-producing operation.

KFC Corporation was the first Heublein unit to feel the effect of the recession and declining consumer confidence, and business at Kentucky Fried Chicken stores was significantly affected in the early months of the year.

KFC management responded by accelerating plans to market new products and by developing and aggressively advertising new "value packs." KFC also began a more localized marketing approach in the 40 markets served by company-operated stores.

In the second quarter the company began introducing the Colonel's Country Style Ribs in company-owned stores. By the close of the year, the ribs were available in almost all of the 924 stores and helped boost store sales 12 to 14 per cent. By attracting additional customers, ribs also helped increase sales of KFC's established products.







Country Style Ribs are the first prepared rib product to be marketed by a nationwide restaurant chain, and they make an excellent "fit" with KFC's chicken. Because preparing ribs at home is a time-consuming chore, Country Style ribs offer consumers a meaningful convenience, besides being a taste treat. A majority of the 3,000 franchised stores in the KFC system have applied for approval to offer this new product.

Two other new products which helped to boost store sales this year are Barbecue Style Chicken, offered in selected markets, and Little Bucket Desserts, available nationwide.

An improvement in the preparation process of Colonel Sanders' Original Recipe Chicken, which is called One-Step Breeding, was widely adopted this year. The new process for breeding fresh chicken will save store operators up to \$3 million a year when it works its way through the entire KFC system. It not only saves time, but assures even higher quality of application of the Colonel's secret blend of 11 herbs and spices.

The programs outlined above helped KFC retail sales to gain strength as the year progressed. After only a marginal gain in the first six months, retail sales showed a nine per cent increase for the full year. This was a significantly better performance than KFC turned in during the milder recession of 1970.

Since the 3,900 domestic Kentucky Fried Chicken stores are spread throughout the nation and operate under different local conditions, the marketing department reorganized its services to better meet these local needs. The number of company field service representatives was increased, for the fourth straight year, to provide franchisees with additional operating assistance.

These programs helped to generate increases in the number of KFC franchisees, franchised outlets, and per-store average volumes. This meant continued growth in KFC's royalties from franchised operations.

Increased sales were also recorded by KFC's Equipment and Supplies Sales Operation, which expanded to provide improved service to company and franchised stores. Because KFC's buying power permits economies of scale, the Equipment and Supplies Operation offers pricing levels that are highly competitive with other sources.

Somewhat lower poultry prices affected results most of the year at Spring Valley Foods, the company's broiler-producing operation, but a strong fourth quarter enabled Spring Valley to finish the year in the black. The upturn resulted partly from a consolidation of operations which was largely completed by the last quarter.

This year, in addition to expanding and improving its nationwide system of chicken stores, KFC Corporation took a serious look at applying its expertise to a number of new quick-service restaurant concepts that could extend the size of the system dramatically.

The Retail Venture Company, another unit of the Food Service & Franchising Group, handles new concepts development, permitting KFC management to concentrate on its primary job of running the KFC store system. At the same time, the Retail Venture Company can draw on the Group's resources in the areas of franchising, law, marketing, finance, real estate, data processing, purchasing and distribution.

Among the new restaurant concepts it is testing are these.

— H. Salt Seafood Galley, the most thoroughly tested of the new





concepts, features a wide selection of seafood items and extensive in-store seating. Ten company-owned and franchised stores have been operating successfully in six cities. Plans call for another 25 company and franchised stores to open this year. To make the most efficient use of management and operating resources, Seafood Galley operations will be developed on a market-by-market basis.

— Zapata Mexican-American Restaurants, a promising entry in this fast-growing ethnic food category. In addition to the 11 Zapata Restaurants in the Minneapolis-St. Paul area, two more units have been opened in Milwaukee and three more are scheduled to open this year. Expansion of Zapata is being done carefully and deliberately to confirm its apparent excellent franchising potential.

— Pewter Pot Muffin Shops, a chain of 14 company-owned and nine franchised coffee shop family-type restaurants in the Boston area. They feature a colonial atmosphere, specially prepared muffins, and a full menu. The testing is aimed at exploring Pewter Pot's franchisability on a national scale.

The Grocery Products Group, based in Hartford, had another good year, despite unsettled supermarket industry business conditions.

Because the Group's products — such as A.1. Sauce, Grey Poupon Dijon Mustard and Ortega Chiles and Sauces — are positioned in specialty categories they were insulated to a great extent from consumer price-resistance encountered by many grocery items. The consumer's desire to try new foods with more vivid tastes helped to maintain strong demand for Heublein's grocery products.

Despite intense competitive activity in the meat sauce category, A.1. Sauce increased both its sales and its share of the market. A big factor in A.1.'s performance was a record schedule of day and night television advertising, along with other promotional programs in key marketing areas. Despite this increased marketing support and higher production costs, A.1. maintained a very favorable level of profitability.

The groundwork was laid this year for a major expansion into Mexican-type foods, which are among the fastest-growing new segments of the supermarket business. Consumer servings of Mexican food at home have grown at least eight per cent annually since 1968. Heublein's expansion into this market began in July 1974 with the acquisition of Zapata Foods, which added taco shells, kits and taco sauces to the Group's Mexican foods line.

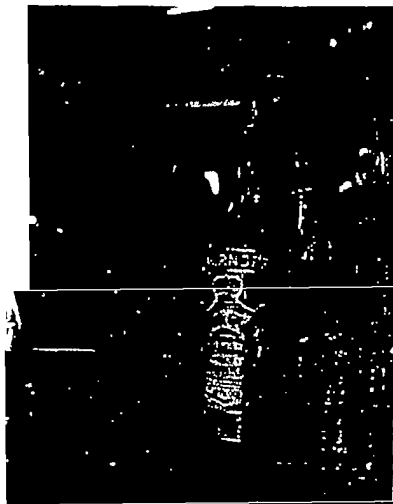
Sales of Zapata taco products increased significantly and the increase could have been greater except for raw material shortages early in the year and a lack of capacity at the Stoughton, Wisconsin plant. A major plant expansion was begun to overcome this.

The Ortega brand name, widely identified with the Group's line of chiles and sauces, will now be used for all Zapata products, so that the Group's entire Mexican foods line can be marketed and promoted nationally as one brand.

In Oxnard, California the new processing plant now nearing completion will provide increased capacity for production of A.1. Sauce, Ortega chiles and sauces, Snap-E-Tom Tomato Cocktail and other brands of the Grocery Products Group.

Snap-E-Tom, Grey Poupon Mustard and the rolls and biscuits made by Hart's Bakeries, Inc., a Grocery Products Group subsidiary, all achieved broader distribution this year.





Smirnoff is a popular brand in London's fashionable pubs and throughout the United Kingdom, which is the brand's leading overseas market

Heublein's International Group had to contend with severe economic problems in virtually all its major markets in fiscal 1975, but still finished the year with gains of 25 per cent in revenues and 16 per cent in operating income.

Revenues for the year totaled \$195 million, while operating income was \$18.4 million. Indicative of the International Group's dramatic growth, just five years ago its sales totaled only \$15.8 million and operating income was \$2.7 million.

Concurrent with the rapid growth of its business, the International Group has steadily expanded and strengthened its organizational structure. This year the Group made a sizable investment in additional highly-skilled personnel to help manage ongoing operations and to lay the plans that will ensure continued growth of the business.

Today the Group has more than 5,000 employees — almost all of them foreign nationals based abroad — operates 25 overseas subsidiaries, and does business in 107 countries. Its revenues and income derive from three main sources: Kentucky Fried Chicken operations in 39 countries, Smirnoff sales through licensees and direct export; and operations of its large alcoholic beverage subsidiaries in Brazil.

All three segments of the International Group's business had increased revenues for the year. Income from Kentucky Fried Chicken was down and the Brazilian operations were impacted by sharply increased labor and materials costs. The net income of the foreign subsidiaries was also adversely affected by the increases in non-operating expenses, principally interest and exchange losses. While the operating income of foreign subsidiaries was off slightly, the Group's operating income was up as a result of increased income from foreign licensing arrangements and a non-recurring provision made in Fiscal 1974 to cover the closing of Kentucky Fried Chicken units in Hong Kong.

Just as in the U.S., quick-service food is growing in popularity abroad, and Kentucky Fried Chicken is by far the leading quick-service food system internationally.

Capitalizing on the almost universal popularity of chicken, the International Group has established a strong position for Kentucky Fried Chicken in a number of key markets, including the United Kingdom, Australia, New Zealand, Japan, Mexico, the Caribbean and South Africa. The Group is also well-represented in quick-service food in Canada through its chain of H. Salt Stores.

As in the United States, the impact of economic difficulties abroad was felt most directly in the Group's quick-service food operations. Eighty-one retail food stores were added to the international system, bringing the total to 782, but a number of planned store openings were postponed pending improvement in economic conditions.

While economic problems curtailed immediate expansion plans in many markets, the Group concentrated on long-range programs to strengthen KFC's leadership position as conditions improve.



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Extensive market research was conducted, providing greater knowledge about the consumer marketplace in different countries, as a guide to more effective KFC advertising and promotion.

There was added emphasis on quality control, training of store personnel, and upgrading of store design and appearance throughout the KFC system.

The trend to light, alcoholic beverages — especially vodka — which has been increasing in the U.S. spirits market for some time, is now becoming stronger in international markets as well. Heublein's expertise in marketing vodka is a major competitive advantage in markets abroad.

This was demonstrated by Smirnoff's performance, as case volume increased 18 per cent to a total of 3.8 million cases, making Smirnoff the leading worldwide spirits brand.

In the United Kingdom, Smirnoff sales this year approached a million cases — the brand's largest single market outside the United States. Sales also increased sharply in Canada, Germany, South Africa, Holland, Sweden and Norway.

In these and most other international markets, Smirnoff faces the aggressive competition of vodka brands from many other countries. But in market after market, Smirnoff has proved its ability to compete successfully.

For example, Smirnoff's share of the vodka market is approximately 40 per cent in both the United Kingdom and Canada, more than 30 per cent in Australia, and almost 50 per cent in Mexico. Because the vodka category is still in the early stages of development in most countries, there is dramatic growth potential abroad for Smirnoff.

The International Group's staff is working closely with Smirnoff licensees abroad to develop effective, fully-integrated marketing campaigns. Additionally, more technical assistance is being provided to licensees to ensure the uniform quality of Smirnoff in all markets.

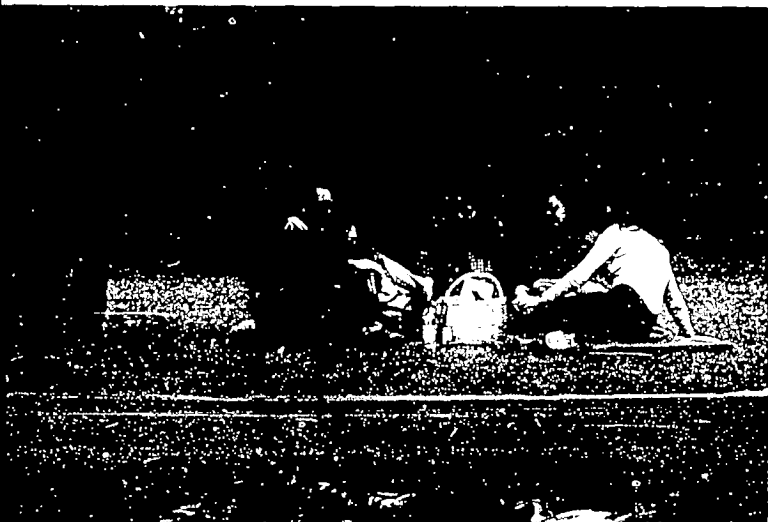
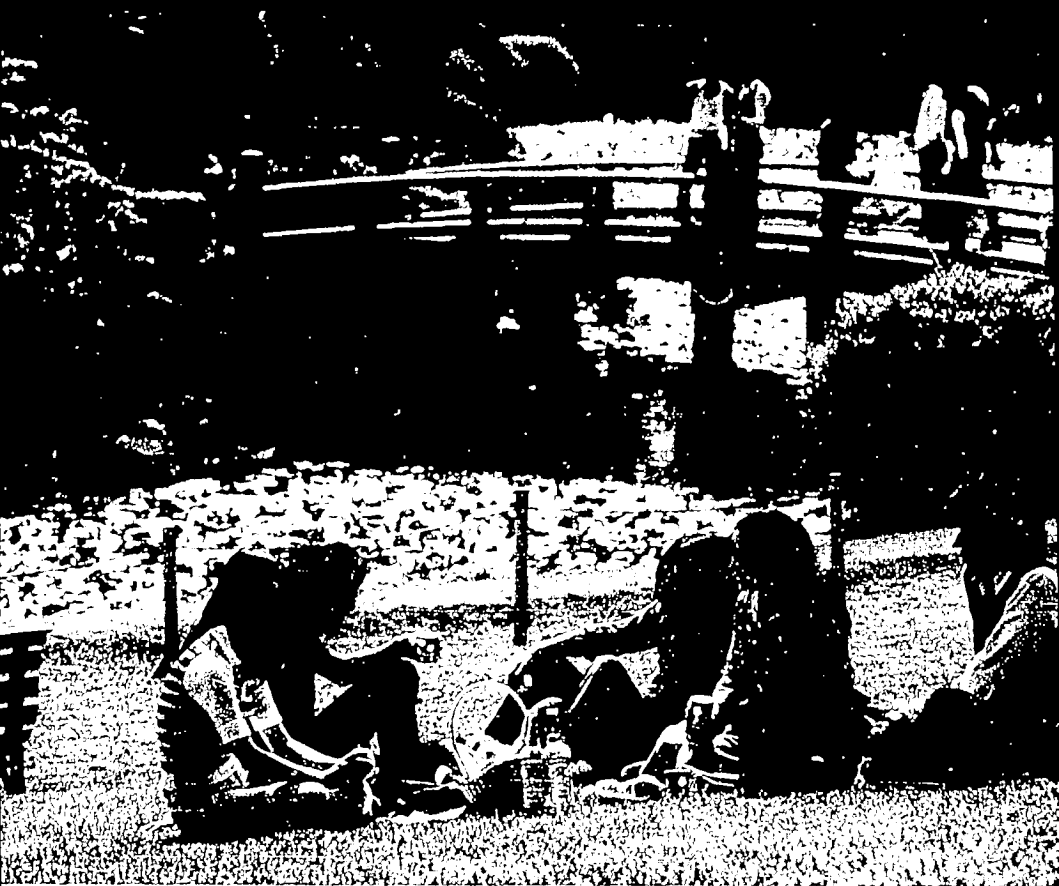
In Japan, a program was launched to expand the market for Smirnoff and other Heublein spirits and wines. Heublein of Japan set up its own beverage sales force and also established affiliations with several major wholesalers throughout the country.

Brazilian beverage operations, the third major segment of the International Group's business, had excellent sales growth for the year, although somewhat off the record pace of a year ago, reflecting difficulties in the Brazilian economy.

Nevertheless, Drury-Fasano, a Heublein subsidiary and Brazil's leading liquor company, had increased sales from its broad line of products. Drury-Fasano markets more than 20 different brands covering virtually all taste and price categories. In most categories, it has Brazil's leading brand.

Preparing for future growth, Drury-Fasano is building a new distillery and bottling plant in the city of Sorocaba, which will handle most of Drury-Fasano's production beginning next year.

Dreher, S.A., Heublein's brandy-producing subsidiary in Brazil, had another excellent year. With an outstanding reputation for quality and several highly popular brands, Dreher is Brazil's leading brandy producer.



In major markets throughout the world, Heublein products serve the lifestyle of people — from South Africa (opposite top) to London (opposite bottom and left) and Japan (above). In all, Heublein products are sold in 107 countries

Summary of Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. The Company's investments in affiliated companies (not majority owned) are carried at its equity in their net assets and the Company's operating results include its share of their net income. All significant intercompany transactions are eliminated in consolidation.

Translation of Foreign Currencies

Current assets and liabilities of foreign subsidiaries, except inventories of beverage distilling subsidiaries, are translated into United States dollars at rates of exchange in effect at the balance sheet dates; inventories of beverage distilling subsidiaries and non-current assets and liabilities are translated at rates in effect at the time of the transaction. Revenues and costs and expenses are translated at average rates prevailing during the year, except for depreciation and amortization and cost of sales of beverage distilling subsidiaries which are translated at average rates of exchange in effect when the assets were acquired.

Translation gains and losses are reflected in earnings

Inventories

All inventories are stated at the lower of cost or market, cost being determined by the first-in, first-out method, except certain bulk whiskey and wine, which have been determined by specific lots.

Whiskey and wine in storage for aging over a number of years is included in current assets in accordance with the general practice in the industry.

Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and amortization. Expenditures which extend the useful lives of assets are capitalized while maintenance and repairs are charged to income as incurred. Depreciation and amortization generally are computed by the straight-line method over the estimated useful lives of the respective assets or the terms of the related leases. On sale or retirement, the asset cost and related accumulated depreciation are removed from the accounts and any related gain or loss is reflected in income.

Cost in Excess of Net Assets of Purchased Businesses, Trademarks, Contracts and Franchises

Cost in excess of net assets of purchased businesses aggregating \$17,014,000 arising from transactions prior to November 1, 1970 is not being amortized as, in the opinion of management, there has been no diminution in value. The balance is being amortized over periods ranging from 10 to 40 years.

Trademarks, contracts and franchises are carried at cost less amortization which is being provided principally on a straight-line basis over periods ranging from 5 to 20 years.

Franchise and License Fees

Initial franchise fees are recorded as income on the date the store is opened by the franchisee. Monthly fees from franchisees and licensees are accrued as earned based on their sales.

Taxes

Deferred income taxes result from timing differences between tax and financial recognition of income and expense. The principal items causing timing differences are provisions for losses on disposition of discontinued operations, accelerated depreciation, and utilization of cash basis of accounting for tax and accrual basis of accounting for financial reporting for certain subsidiaries.

The investment tax credit is deducted from federal income tax expense in the year in which the related asset is placed in service.

United States and Canadian excise taxes constitute a lien on in-bond inventories. Since these taxes are not payable until withdrawal from bond or after twenty years, whichever is earlier, excise taxes have not been accrued with respect to such inventories.

Pension Plans

The Company has non-contributory retirement plans which cover substantially all full-time domestic employees except certain employees covered by various union pension plans. Under collective bargaining agreements, the Company makes contributions to various pension plans for certain union employees. Pension costs charged to current earnings include charges for current service and amortization of prior years' service costs over 30 years. The Company's policy is to fund the amounts accrued.

The provisions of the Employee Retirement Income Security Act of 1974 are not expected to have a material effect on the Company's pension expense or funding policy.

Earnings Per Share

Earnings per common and common equivalent share are based upon (1) the average number of shares of the Company's common stock outstanding during the year, (2) the number of shares issuable on the exercise of dilutive stock options (after reduction for common shares assumed to have been purchased with the proceeds) and (3) the number of shares issuable upon conversion of the outstanding Series B preferred shares.

Earnings per share assuming full dilution are determined on the further assumption that all remaining outstanding dilutive convertible securities were converted as of the beginning of each year, giving effect to the resultant reduction in interest costs net of applicable taxes and that certain additional dilutive stock options were exercised (after reduction for common shares assumed to have been purchased with the proceeds).

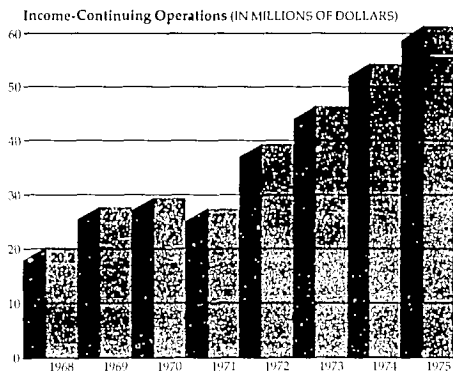
Audit Committee of The Board of Directors

The Board of Directors has an Audit Committee consisting of three members who are not officers of the Company. The Committee meets periodically during the year with the Company's financial management and its independent accountants to review internal control procedures and both internal and external audit plans and results.

Consolidated Statement of Income

	Year ended June 30,	
	1975	1974
Revenues:		
Net sales	\$1,466,095,000	\$1,292,937,000
Franchise and license fees	31,690,000	27,808,000
	<u>1,497,785,000</u>	<u>1,320,745,000</u>
Costs and expenses:		
Cost of sales	1,066,452,000	930,594,000
Selling, advertising, administrative and general expenses	292,152,000	267,475,000
	<u>1,358,604,000</u>	<u>1,198,069,000</u>
Operating income	139,181,000	122,676,000
Other income (deductions):		
Interest expense:		
Long-term debt	(14,038,000)	(6,335,000)
Other	(3,025,000)	(3,559,000)
Interest income	2,218,000	1,384,000
Miscellaneous — net	(726,000)	244,000
	<u>(15,571,000)</u>	<u>(8,266,000)</u>
Income before provision for income taxes	123,610,000	114,410,000
Provision for income taxes:		
Federal	50,454,000	47,530,000
State	8,244,000	7,401,000
Foreign	3,416,000	5,069,000
	<u>62,114,000</u>	<u>60,000,000</u>
Net income	<u><u>\$ 61,496,000</u></u>	<u><u>\$ 54,410,000</u></u>
Earnings per share:		
Primary	<u><u>\$2.90</u></u>	<u><u>\$2.57</u></u>
Fully diluted	<u><u>\$2.79</u></u>	<u><u>\$2.49</u></u>

See accompanying notes and summary of accounting policies.



Consolidated Balance Sheet

June 30,

1975

1974

ASSETS

Current assets:

Cash	\$ 25,050,000	\$ 23,287,000
Marketable securities, at cost which approximates market	15,379,000	6,687,000
Accounts and notes receivable	172,976,000	166,557,000
Inventories:		
Finished products	65,828,000	52,377,000
Products in process	8,690,000	10,691,000
Bulk whiskey and wine	92,377,000	87,185,000
Raw materials	29,191,000	28,292,000
Total inventories	196,086,000	178,545,000
Prepaid expenses	7,012,000	7,995,000
Total current assets	416,503,000	383,071,000

Investment in and advances to affiliated companies	4,174,000	5,184,000
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Property, plant and equipment, at cost:

Land	38,496,000	32,558,000
Buildings	91,370,000	71,926,000
Machinery and equipment	152,200,000	128,129,000
Leasehold improvements	40,098,000	37,626,000
Wine tanker	—	6,974,000
	322,164,000	277,213,000
Less accumulated depreciation	96,294,000	87,333,000
Net property, plant and equipment	225,870,000	189,880,000

Other assets:

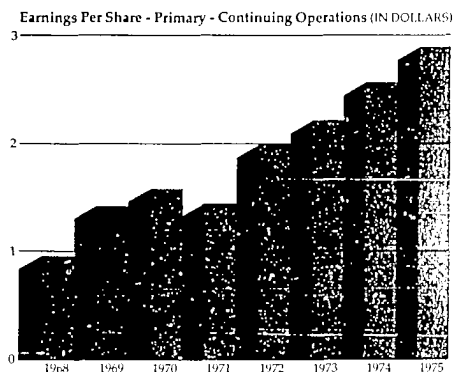
Properties and other assets not used in continuing operations	12,028,000	15,424,000
Cost in excess of net assets of purchased businesses	54,923,000	56,090,000
Trademarks, contracts and franchises	3,323,000	3,209,000
Deferred income taxes	5,202,000	6,547,000
Other	20,900,000	18,159,000
	96,376,000	99,429,000
	<u>\$742,923,000</u>	<u>\$677,564,000</u>

See accompanying notes and summary of accounting policies



	June 30,	
	1975	1974
LIABILITIES		
Current liabilities:		
Notes payable	\$ 11,040,000	\$ 12,788,000
Current portion of long-term debt	4,705,000	4,471,000
Accounts payable	49,056,000	45,189,000
Accrued expenses	38,605,000	35,988,000
Taxes:		
Federal, state and foreign taxes on income	49,133,000	21,992,000
Deferred income taxes	4,451,000	5,218,000
Excise taxes	26,028,000	32,115,000
Other	8,379,000	8,475,000
Cash dividends payable	5,857,000	5,245,000
Current portion of reserve for discontinued operations	2,600,000	1,535,000
Total current liabilities	<u>199,854,000</u>	<u>173,016,000</u>
Long-term debt, due after one year	204,059,000	195,734,000
Reserve for discontinued operations	12,263,000	16,280,000
Other long-term liabilities and deferred income	2,179,000	3,481,000
SHAREHOLDERS' EQUITY		
Preferred stock	2,649,000	6,534,000
Common stock	10,567,000	10,561,000
Additional paid-in capital	141,256,000	140,647,000
Retained earnings	170,486,000	131,701,000
	<u>324,958,000</u>	<u>289,443,000</u>
Less treasury stock, at cost	390,000	390,000
Total shareholders' equity	<u>324,568,000</u>	<u>289,053,000</u>
	<u><u>\$742,923,000</u></u>	<u><u>\$677,564,000</u></u>

See accompanying notes and summary of accounting policies



Consolidated Statement of Additional Paid-In Capital

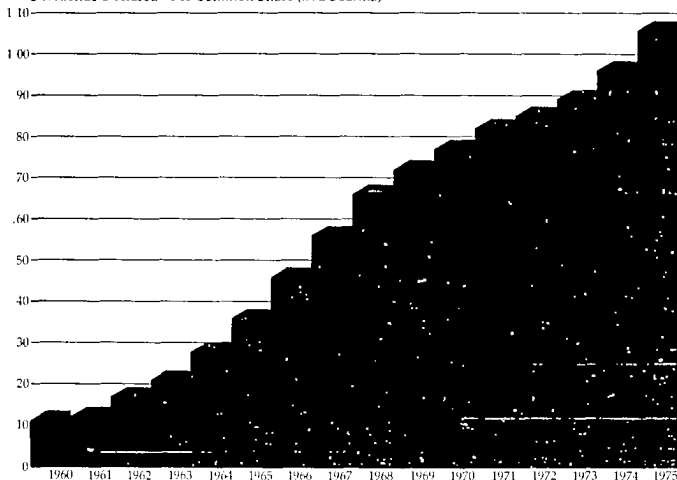
	Year ended June 30,	
	1975	1974
Balance at beginning of year	\$140,647,000	\$132,890,000
Adjustments relating to pooled companies	—	729,000
Excess of option price over stated value of common stock issued on exercise of options	233,000	5,168,000
Proceeds in excess of par or stated value of common stock of pooled companies sold prior to merger	51,000	455,000
Excess of stated value of preferred stock over stated value of common stock exchanged	157,000	799,000
Tax benefit from disqualifying dispositions of shares issued under stock option plans	177,000	652,000
Other	(9,000)	(46,000)
Balance at end of year	<u>\$141,256,000</u>	<u>\$140,647,000</u>

Consolidated Statement of Retained Earnings

	Year ended June 30,	
	1975	1974
Balance at beginning of year	\$131,701,000	\$ 97,591,000
Retained earnings of companies acquired in poolings of interests transactions	—	197,000
Net income	61,496,000	54,410,000
Cash dividends declared on common stock — \$1.075 per share (\$.98 in 1974)	(22,711,000)	(20,497,000)
Balance at end of year	<u>\$170,486,000</u>	<u>\$131,701,000</u>

See accompanying notes and summary of accounting policies.

Dividends Declared - Per Common Share (IN DOLLARS)



Consolidated Statement of Changes in Financial Position

	Year ended June 30,	
	1975	1974
SOURCES OF WORKING CAPITAL		
Operations,		
Net income	\$ 61,496,000	\$ 54,410,000
Charges not requiring funds:		
Depreciation and amortization	20,036,000	16,048,000
Deferred income taxes	1,345,000	15,128,000
Funds provided from operations	82,877,000	85,586,000
Proceeds from sale of treasury stock	—	2,973,000
Proceeds from exercise of stock options	237,000	5,239,000
Proceeds from sale of stock by pooled companies prior to acquisition	51,000	455,000
Book value of assets sold, including properties not used in continuing operations	4,442,000	15,246,000
Increase in long-term debt	102,599,000	87,522,000
Market value of common stock used in purchase acquisitions	—	1,215,000
Increase in common stock and additional paid-in capital resulting from conversions of preferred stock	159,000	811,000
Tax benefit from disqualifying dispositions of shares issued under stock option plans	177,000	652,000
Changes in investment in and advances to affiliated companies	1,010,000	(206,000)
	<u>191,552,000</u>	<u>199,493,000</u>
USES OF WORKING CAPITAL		
Cash dividends	22,711,000	20,497,000
Redemptions of series preferred stock	3,722,000	2,215,000
Repayment of long-term debt	94,274,000	3,664,000
Additions to property, plant and equipment	55,634,000	59,259,000
Reduction of long-term portion of reserve for discontinued operations	4,017,000	3,407,000
Conversion of preferred stock	163,000	843,000
Other long-term liabilities and deferred income	1,302,000	(859,000)
Increase in other assets	2,741,000	5,835,000
Additions to cost in excess of net assets of purchased businesses, trademarks, contracts and franchises	680,000	7,811,000
Purchase of treasury stock	—	4,607,000
Reclassification of deferred income taxes	—	6,910,000
Other—net	(286,000)	312,000
	<u>184,958,000</u>	<u>114,501,000</u>
Increase in working capital	<u>\$ 6,594,000</u>	<u>\$ 84,992,000</u>
CHANGES IN WORKING CAPITAL		
Cash and marketable securities	\$ 10,455,000	\$ 2,521,000
Accounts and notes receivable	6,419,000	52,279,000
Inventories	17,541,000	52,357,000
Prepaid expenses	(983,000)	1,248,000
Notes payable and current portion of long-term debt	1,514,000	14,783,000
Accounts payable, accrued expenses and taxes	(26,675,000)	(40,000,000)
Cash dividends payable	(612,000)	(648,000)
Current portion of reserve for discontinued operations	(1,065,000)	2,452,000
Increase in working capital	<u>\$ 6,594,000</u>	<u>\$ 84,992,000</u>

See accompanying notes and summary of accounting policies

Acquisitions

In August 1973, the Company acquired Davis Food Service, Inc. in exchange for 796,960 shares of common stock. This acquisition, which was not material, was accounted for as a pooling of interests. Effective July 1, 1973, the Company acquired a 70% interest in Dreher, S A., Brazil (Dreher) and in September 1974 increased its interest to 81%. The total purchase price was \$9,877,000, which resulted in an increase in cost in excess of net assets of purchased businesses of \$5,772,000. The accompanying financial statements include the operations of Dreher from the effective date of its acquisition.

In the first quarter of fiscal 1975, the Company acquired Zapata Foods, Inc. and Regal Foods, Inc. in exchange for 128,320 shares of common stock. The fiscal 1974 financial statements have been restated to reflect these acquisitions, which were not material and which were accounted for as poolings of interests.

Foreign Subsidiaries

The accompanying consolidated financial statements include the accounts of the Company's foreign subsidiaries as follows:

	1975	1974
Total assets	\$136,927,000	\$119,350,000
Revenues	179,842,000	145,267,000
Net income of foreign subsidiaries and equity in earnings of foreign affiliates	6,919,000	8,322,000

Translation gains and losses, which are reflected in earnings, are not material. The interest expense related to the Company's investment in its foreign subsidiaries, export operations, income from foreign license arrangements and International staff headquarters expense have not been reflected in the net income reported above.

Discontinued Operations

Prior to the Company's acquisition of Kentucky Fried Chicken Corporation (KFC), KFC's management decided to discontinue operating its owned roast beef and domestic fish and chips outlets and three motor hotels. In this connection, provisions for estimated losses of \$45,500,000 (\$21,750,000 net of tax) were made in prior years.

Subsequent operating losses and disposal costs charged against the related reserve aggregate \$30,637,000 including \$2,952,000 and \$5,859,000 in fiscal 1975 and 1974, respectively. Management believes the remaining reserve will be adequate to complete the discontinuance of these operations. Amounts under "Properties and other assets not used in continuing operations" represent assets relating to the Company-owned KFC fish and beef stores.

During fiscal 1974, management completed the sale of the assets and business of the Company's beer operations. The terms of the sale agreements were consistent with the terms anticipated when a provision of \$26,600,000 (\$13,800,000 net of tax) was made in fiscal 1973 for estimated disposal costs and losses including estimated operating losses to the date of disposition.

In fiscal 1974, \$26,459,000 was charged against the related reserve and the balance of \$141,000 was credited to operations in fiscal 1975.

Inventories

Inventories used in the computation of cost of sales in fiscal 1975 and 1974 were: July 1, 1973 — \$125,481,000; June 30, 1974 — \$178,545,000, and June 30, 1975 — \$196,086,000.

Taxes

The provision for federal income taxes includes deferred tax charges (credits) resulting from the following.

	1975	1974
Losses from discontinued operations provided for in prior periods	\$2,129,000	\$14,606,000
Differences between cash basis accounting for tax and accrual basis for financial reporting for certain subsidiaries	(767,000)	(1,692,000)
Excess of tax over book depreciation	1,594,000	1,614,000
Other items	(2,378,000)	(1,092,000)
Provision for deferred income taxes	<u>\$ 578,000</u>	<u>\$13,436,000</u>

The difference between the Company's effective tax rates and the federal statutory rate (48%) is due principally to state income taxes.

Provision for foreign income taxes is made where applicable. No provision for federal income taxes has been made on the undistributed earnings of foreign subsidiaries with the exception of 50% of the consolidated earnings of the Company's Brazilian subsidiaries from their respective dates of acquisition to June 30, 1974. It is management's intent to reinvest substantially all earnings of foreign subsidiaries abroad. The undistributed earnings of foreign subsidiaries for which federal income taxes have not been provided at June 30, 1975 aggregate \$14,284,000. If such earnings were remitted as dividends, the additional withholding and federal income taxes would approximate \$4,000,000.

Net sales include excise taxes of \$373,581,000 in 1975 and \$346,769,000 in 1974.

Short-Term Borrowings and Long-Term Debt

Short-term borrowings at June 30, 1975 and 1974 represent borrowings by foreign subsidiaries, principally in Brazil, at 15.8% and 12.9% weighted average interest rates, respectively. Average short-term borrowings during fiscal 1975 and 1974 were \$14,785,000 and \$27,736,000 at weighted average interest rates of 13.7% and 10.3%, respectively. Borrowings reached maximum month-end balances of \$33,664,000 and \$76,642,000 at December 31, 1974 and December 31, 1973 principally due to semi-annual inventory related payments. During fiscal 1975 and 1974, the Company had available from several domestic banks informal unsecured lines of credit aggregating \$17,000,000 and \$40,000,000, respectively, with interest at the prime rate.

Long-term debt due after one year follows

	June 30,	
	1975	1974
4½% convertible subordinated debentures due May 15, 1997	\$100,000,000	\$100,000,000
8¾% notes due February 15, 1985	90,000,000	—
Revolving credit loans	—	81,000,000
Mortgage notes payable in various installments	4,129,000	5,548,000
Other	9,930,000	9,186,000
	<u>\$204,059,000</u>	<u>\$195,734,000</u>

The 4½% subordinated debentures are convertible into common stock at approximately \$69.50 per share (1,438,800 shares) and are subject to redemption through annual sinking fund payments beginning in 1983 of not less than 6% nor more than 12% of the principal amount of debentures outstanding in 1982.

In February 1975, the Company retired its indebtedness which aggregated \$90,000,000 under the Revolving Loan and Credit Agreement by issuing \$90,000,000 of 8½% notes. The notes may not be redeemed before February 15, 1983. On and after that date, the notes may be redeemed at the option of the Company in whole or in part at their principal amount, plus accrued interest. Interest is payable semi-annually on February 15 and August 15.

In connection with its informal credit lines the Company is expected to maintain average bank balances approximating 10% of the credit lines when not in use and an additional 10% when in use. Such balances are not legally restricted as to utilization or withdrawal and are generally met with normal operating balances.

Mortgage notes payable are collateralized by deeds of trust, leasehold improvements, buildings, equipment and other assets with a net carrying amount of approximately \$10,540,000 at June 30, 1975.

The most restrictive terms of long-term borrowing agreements limit the payment of cash dividends. Consolidated retained earnings not so restricted at June 30, 1975 amounted to approximately \$75,000,000.

Aggregate maturities of long-term debt for the next five fiscal years are as follows: 1976 — \$4,705,000; 1977 — \$4,533,000; 1978 — \$2,379,000; 1979 — \$1,563,000, and 1980 — \$727,000.

Capital Stock

There are 5,000,000 authorized shares of series preferred stock. Changes in outstanding preferred stock during 1974 and 1975 are summarized below:

	Series A convertible non-dividend stated value \$10 per share		Series B convertible non-dividend stated value \$10 per share	
	Shares	Amount	Shares	Amount
Balance at July 1, 1973	1,703,983	\$7,422,000	217,004	\$2,170,000
Conversions to common stock	(1,095)	(11,000)	(83,205)	(832,000)
Redemptions (including partial redemptions)	—	(2,199,000)	(1,560)	(16,000)
Balance at June 30, 1974	1,702,888	5,212,000	132,239	1,322,000
Conversions to common stock	(337)	(1,000)	(16,239)	(162,000)
Redemptions (including partial redemptions)	(1,336,617)	(3,042,000)	(68,020)	(680,000)
Balance at June 30, 1975	365,934	\$2,169,000	47,980	\$ 480,000

Each Series A preferred share is convertible into .10 share of common stock and is also partially redeemable at the option of the holder at the rate of 1/6 per year after November 1, 1969. These partial redemptions totaled \$14,859,000 through June 30, 1975. Only the last series of partial redemptions, which through June 30, 1975, totaled 1,336,617 shares, reduces the number of shares outstanding. Series B preferred stock is convertible into .2974 share of common stock and is also redeemable in sub series at the rate of 1/5 per year after November 1, 1970, of which \$759,000 has been redeemed through June 30, 1975. The Company has the option to redeem both classes in whole or in part for \$10 per share beginning November 1, 1976, less any amounts theretofore paid in partial redemption.

Authorized capital stock also includes 500,000 shares of 5% preferred stock, par value \$100 per share and 200,500 shares of 5% convertible preferred stock, par value \$100 per share, none of which were outstanding during 1974 and 1975.

There are 30,000,000 authorized shares of common stock with a stated value of \$.50 per share. The changes in the outstanding shares during 1975 and 1974 are summarized as follows:



	1975		1974	
	Out- standing	In treasury	Out- standing	In treasury
Shares at beginning of year	20,993,157	9,150	19,997,877	—
Shares issued for acquisitions	128,320		796,960	(19,957)
Shares issued upon exercise of stock options	8,588		140,199	
Conversions of preferred shares	4,725		24,163	
Purchase of shares including shares issued under restricted stock option plan				89,150
Shares issued on contingent payout provision of acquisition agreement			33,958	
Sale of treasury shares				(60,043)
Shares at end of year	<u>21,134,790</u>	<u>9,150</u>	<u>20,993,157</u>	<u>9,150</u>

At June 30, 1975 and 1974, shares of common stock were reserved as follows:

	1975	1974
Conversion of outstanding:		
4½% convertible subordinated debentures	1,438,800	1,438,800
Series A convertible preferred stock	21,690	52,123
Series B convertible preferred stock	14,269	39,328
Stock options	1,522,860	840,771
Contingent payout provisions of acquisition agreement	—	2,323
	<u>2,997,619</u>	<u>2,373,345</u>

Stock Options

Options outstanding were granted under the Company's Qualified Stock Option Plan which expired on October 21, 1974, the 1971 Stock Option Plan, and the 1974 Stock Option Plan which was adopted by the shareholders on October 24, 1974. In addition, a relatively small number of options granted to employees of acquired companies were assumed by the Company in substitution for options outstanding when the companies were acquired.

The Qualified Stock Option Plan provided for the granting of options for the purchase of 1,000,000 shares at an option price of not less than the fair market value of the Company's common stock on the date of grant. The terms of the options did not exceed five years. The 1971 and 1974 Stock Option Plans provide for the granting of options, both qualified and non-qualified, for the purchase of 500,000 and 1,000,000 shares of common stock, respectively, at an option price of not less than the fair market value of the Company's common stock at the date of grant. The terms of the qualified and non-qualified options may not exceed five years and ten years, respectively.

Option prices under all plans are equivalent to 100% of the market price on the date of grant.

Pursuant to an offer by the Company on December 2, 1974, holders of options to purchase 586,025 shares at prices ranging from \$36.81 to \$64.81 exchanged such options for new non-qualified options to purchase an equal number of shares at \$25.38, the average market price on that date.

Changes in options outstanding during the years ended June 30, 1975 and 1974 were as follows:

	1975	1974
Outstanding options at beginning of year	707,535	666,955
Granted, including substitute and exchange options	927,931	244,062
Exercised	(8,588)	(140,199)
Cancelled, including options surrendered in connection with exchange offer	(709,368)	(63,283)
Outstanding options at end of year	<u>917,510</u>	<u>707,535</u>

Options exercisable at June 30, 1975 and 1974 aggregate 10,835 and 200,906, respectively.

Price information regarding shares which were exercised, became exercisable, or were outstanding at each year end is as follows:

	<u>Number of shares</u>	<u>Option price</u>		<u>Market price*</u>	
		<u>Per share</u>	<u>Aggregate</u>	<u>Per share</u>	<u>Aggregate</u>
1975:					
Exercised	8,588	\$8.37 to \$35.13	\$ 236,000	\$22.25 to \$45.81	\$ 321,000
Exercisable	98,166	8.37 to 64.81	4,659,000	22.50 to 42.00	3,153,000
Outstanding at June 30	917,510	9.66 to 74.07	23,101,000	45.75	41,976,000
1974:					
Exercised	140,199	8.37 to 53.44	5,240,000	40.88 to 61.00	7,279,000
Exercisable	158,339	6.64 to 64.81	7,307,000	40.50 to 60.25	7,324,000
Outstanding at June 30	707,535	7.93 to 89.15	34,926,000	43.38	30,689,000

*At dates exercised, becoming exercisable and June 30, respectively

At June 30, 1975 and 1974 there were 605,350 and 133,236 shares, respectively, available for future grant. No charges have been made to income in connection with options granted to date.

Pension and Profit-Sharing Plans

Pension expense was \$3,796,000 in 1975 and \$4,485,000 in 1974.

Under the Company's profit-sharing plan for salaried employees, the Company's basic contribution is equal to the lesser of 5% of net income, as defined in the Plan, or 5% of participants' salaries plus a supplementary contribution equal to 4% of net income with the limitation of the total contribution equal to 8% of aggregate salaries. Employees may make voluntary contributions up to 10% of salary with no matching by the Company. Contributions by the Company to the plan amounted to \$3,151,000 in 1975 and \$2,626,000 in 1974.

Leases and Commitments

Rent expense charged to operations was as follows:

	1975	1974
Noncapitalized financing leases	\$14,931,000	\$ 14,050,000
Other	7,566,000	9,215,000
	<u>\$22,497,000</u>	<u>\$ 23,265,000</u>

Aggregate minimum annual rental commitments (excluding payments for real estate taxes, maintenance and insurance, where applicable) under noncancelable leases at June 30, 1975 were as follows:

Fiscal year ending June 30,	Total	Noncapitalized financing leases
1976	\$16,020,000	\$13,055,000
1977	13,876,000	11,486,000
1978	12,826,000	10,608,000
1979	11,192,000	9,299,000
1980	10,196,000	8,584,000
1981-1985	39,819,000	34,014,000
1986-1990	22,330,000	18,568,000
1991-1995	9,424,000	7,909,000
Thereafter	18,767,000	18,515,000
	<u>\$154,450,000</u>	<u>\$132,038,000</u>

Total aggregate minimum noncancelable lease amounts by major plant and equipment category as of June 30, 1975 were as follows:

Land and land improvements	\$ 47,495,000
Buildings	99,524,000
Machinery and equipment	4,621,000
Transportation equipment	2,810,000
	<u>\$154,450,000</u>



The present values of the minimum rental commitments for noncapitalized financing leases are summarized below:

	June 30,	
	1975	1974
Land and land improvements	\$25,011,000	\$ 24,944,000
Buildings	34,033,000	30,298,000
Machinery and equipment	3,565,000	5,909,000
Transportation equipment	2,043,000	2,252,000
	<u>\$64,652,000</u>	<u>\$ 63,403,000</u>

Interest rates implicit in the terms of leases at the time of entering into such leases and used to discount minimum rental commitments for leases range from 5% to 17%. The weighted average interest rate was 10.8% and 10.5% at June 30, 1975 and 1974, respectively.

If the Company had capitalized its noncapitalized financing leases and the resultant assets were amortized on a straight-line basis and interest accrued on the outstanding lease liability, the effect on net income in each of the fiscal years ended June 30, 1975 and 1974 would have been less than 3% of average net earnings for the three most recent fiscal years.

Pending Legal Proceedings

On December 7, 1972, the Federal Trade Commission (FTC) filed a complaint alleging a violation of Section 7 of the Clayton Act in connection with Heublein's 1969 acquisition of a controlling interest in United Vintners, Inc. The complaint seeks to require divestiture of Heublein's interest in United Vintners and to prohibit for 10 years the acquisition of other companies producing or selling domestic wine. Allied Grape Growers, from whom Heublein purchases substantially all of its grape requirements, has become a party to this litigation.

On July 11, 1975, Heublein reached an agreement with the FTC staff, subject to the Commission's approval, to settle this complaint. Under the proposed settlement, Heublein would divest itself of its United Vintners' assets, except the Inglenook, Annie Green Springs and T. J. Swann trademarks and their related assets and operations, the plant facilities at Rutherford and Oakville, California, and the 49% interest in the Madera Glass Company joint venture. Heublein would be required to divest itself of these assets within two years from the date of the Commission's final order. However, the two-year period would not commence until such time as certain issues between Heublein and Allied Grape Growers, with regard to the grape supply contract, were settled. Heublein also would be required, for a period of 10 years, to receive prior approval from the FTC for any wine industry acquisitions.

Although certain trademarks, brands and physical assets are identified for divestiture within the proposed agreement, a detailed formal plan has not been adopted. Based on assumptions as to probable assets and operations which would be divested, the Company would divest approximately 14% of its consolidated net property, plant and equipment as of June 30, 1975, as well as certain inventory and other net assets. Revenues from the brands to be divested approximated only 9% of consolidated revenues for the year ended June 30, 1975, and since acquired, have not been a material factor in the Company's consolidated results of operations. Management does not anticipate that the proposed divestiture will have a material effect on the Company's consolidated financial condition or its results of operations.

On March 10, 1975, Allied Grape Growers and eight members of its executive committee filed a complaint against Heublein and certain past and present officers of Heublein and United Vintners, alleging misrepresentation in violation of Federal securities laws and the laws of the State of California in connection with Heublein's acquisition of a controlling interest in United Vintners. The complaint seeks damages in the amount of \$134,400,000, as well as certain injunctive relief (including an injunction preventing Heublein from entering into a settlement with the Federal Trade Commission), rescission of Heublein's acquisition of a controlling interest in United Vintners and rescission of the long-term grape supply contract between Allied Grape Growers and United Vintners. Heublein intends to conduct a vigorous defense of this litigation. Based upon its present knowledge and assessment of the facts and issues, management believes that the litigation is not likely to result in an award of monetary damages that will have a materially adverse effect on the financial condition of Heublein.

Between October 1974 and June 1975, complaints were filed against Heublein and 37 others (including most of the major broiler chicken producers in the United States) which charged the defendants with a conspiracy in the production and sale of broilers in violation of the Sherman Act and claimed that the allegedly unlawful conspiracy has caused plaintiffs and others to be overcharged by an unspecified amount and with respect to an unspecified volume of broiler purchases beginning at least as early as 1970. The complaints do not specify the amount of damages sought, but request that any damages determined to have been sustained as a result of the alleged conspiracy be trebled. The plaintiffs also seek the costs of suit, including reasonable attorneys' fees, and an injunction against the alleged conspiratorial conduct. Based upon analysis of the facts and issues to date, management believes that such litigation will not have a material adverse effect on the financial condition of the Company. If any amounts would ultimately become payable in connection with this litigation, such amounts would be accounted for as an adjustment of prior periods and allocated on a retroactive basis to the periods to which they apply.

The Company is a defendant in various other litigation matters in which aggregate alleged damages are substantial. Based upon the advice of counsel, management believes the Company has adequate defenses and no material liability will result from such litigation.

Supplementary Income Statement Information

	1975	1974
Maintenance and repairs	\$ 15,631,000	\$ 13,380,000
Depreciation and amortization	\$ 20,036,000	\$ 16,048,000
Taxes, other than income taxes:		
Federal, state and foreign excise taxes	\$374,341,000	\$348,525,000
Other taxes	17,689,000	14,734,000
	<u>\$392,030,000</u>	<u>\$363,259,000</u>
Advertising, merchandising and sales promotion ..	<u>\$115,237,000</u>	<u>\$106,068,000</u>

See "Leases and Commitments" for information on rental expense.

ARTHUR YOUNG & COMPANY

277 PARK AVENUE
NEW YORK, N. Y. 10017

Board of Directors and Shareholders
Heublein, Inc.

We have examined the accompanying consolidated balance sheet of Heublein, Inc. at June 30, 1975 and 1974 and the related consolidated statements of income, additional paid-in capital, retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Heublein, Inc. at June 30, 1975 and 1974 and the consolidated results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

Arthur Young & Company

July 21, 1975



Management's Discussion and Analysis of Consolidated Summary of Operations

The following discussion is presented to explain certain comparative changes shown in the Consolidated Summary of Operations. The Company's accounting policies, consolidated financial statements and notes to consolidated financial statements should be read in conjunction with this discussion since they are all essential in evaluating the Company's results of operations.

1975 Compared to 1974

Revenues increased by 13%, with all lines of business contributing to the increase. Price increases are estimated to account for approximately 4% of revenues. Revenues of Alcoholic Beverages, Food Products, and International increased 11%, 13%, and 25%, respectively, as a result of greater demand for established products and the favorable impact of new product introductions.

The percentage increase in cost of sales was slightly higher than the percentage increase in revenues, reflecting, principally, the effects of inflation on raw material and labor and higher energy costs.

Advertising, merchandising and sales promotion increased 9%. Although selling, administrative and general expenses were affected by inflation, greater volume and aggressive introduction of new products, they were up only 10%. The moderate increases in these expenses reflect the management action discussed in the President's Message.

Interest expense was substantially higher than the prior year due to generally higher interest rates and increased borrowings for capital expenditures and working capital.

The provision for income taxes reflected an effective rate of approximately 50.2% compared to approximately 52.4% in 1974. This reduced rate resulted principally because no provision for federal income taxes was made on the undistributed earnings of Brazilian subsidiaries and increased investment credit.

1974 Compared to 1973

Revenues increased 28% with contributions made by all lines of business. Management estimates that price increases accounted for less than 3% of total revenues. Revenues of Alcoholic Beverages advanced 19%, with the highest rate of increase occurring in the last months of fiscal 1974 as a result of heavy buying by distributors of many products in anticipation of price increases. International expanded its share of total revenues from 6% to 12% as a result of a 141% increase in revenues, approximately two-thirds of which was attributable to purchase acquisitions.

Percentage increases in the cost of sales approximated percentage increases in revenues except for the cost of sales for Food Products, which was especially affected by a sharp rise in the costs of feed, supplies and other raw materials.

Selling, advertising, administrative and general expenses rose 25% over the prior year, paralleling the increase in total revenues. Advertising expense increased 28%. Selling, administrative and general expenses increased 23%, reflecting, in part, the impact of new business, including a full year's expense in connection with Brazilian purchase acquisitions.

In fiscal 1974 interest expense increased substantially due to generally higher interest rates and increased borrowings for capital expenditures, increased working capital requirements and foreign acquisitions.

Consolidated Summary of Operations

Dollars in thousands except per share statistics

REVENUES:

Beverage	.....
Food	.....
International	.....

Cost of sales	.....
Selling, advertising, administrative and general expenses	.....
Operating income	.....

OPERATING INCOME:

Beverage	.....
Food	.....
International	.....

Interest expense	.....
Interest income	.....
Other income (deductions) — net	.....
Provision for income taxes	.....

Income from continuing operations	.....
Income (loss) from discontinued operations, less tax effect	.....
Income before extraordinary items	.....
Extraordinary items	.....
NET INCOME	.....

Preferred dividends	.....
Earnings applicable to common stock	.....
Common and common equivalent shares	.....

Earnings per common and common equivalent share:

Continuing operations	.....
Discontinued operations	.....
Before extraordinary items	.....
Extraordinary items	.....
NET EARNINGS	.....

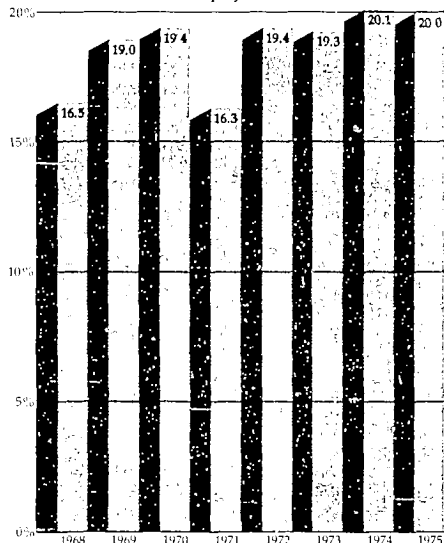
Earnings per common share assuming full dilution:

Continuing operations	.....
Discontinued operations	.....
Before extraordinary items	.....
Extraordinary items	.....
NET EARNINGS	.....

Cash dividends declared per common share	.....
Common dividends declared	.....
Earnings retained in the business*	.....
Taxes of all kinds*	.....
Capital expenditures	.....
Depreciation*	.....
Net property, plant and equipment	.....
Working capital	.....
Current ratio	.....
Return on shareholders' equity*	.....
Income as a percent of revenues*	.....
Worldwide employment	.....
Common shareholders	.....

Restated where material
*Based on continuing operations

Return on Shareholders' Equity



1975	1974	1973	1972	1971	1970	1969	1968
\$ 772,576	\$ 697,018	\$ 586,423	\$ 507,125	\$ 446,343	\$ 398,267	\$ 358,081	\$ 315,817
530,162	467,875	384,312	325,957	278,869	268,287	227,080	161,433
195,047	155,852	64,620	33,721	19,984	15,751	6,051	3,841
1,497,785	1,320,745	1,035,355	866,803	745,196	682,305	591,212	481,091
1,066,452	930,594	719,429	595,746	521,682	473,134	414,566	350,899
292,152	267,475	213,946	182,596	156,971	139,186	113,435	86,366
<u>\$ 139,181</u>	<u>\$ 122,676</u>	<u>\$ 101,980</u>	<u>\$ 88,461</u>	<u>\$ 66,543</u>	<u>\$ 69,985</u>	<u>\$ 63,211</u>	<u>\$ 43,826</u>
\$ 63,226	\$ 52,044	\$ 42,005	\$ 39,080	\$ 32,491	\$ 29,484	\$ 26,473	\$ 21,969
57,508	54,786	52,707	45,776	31,632	37,817	35,195	20,489
18,447	15,846	7,268	3,605	2,420	2,684	1,543	1,368
139,181	122,676	101,980	88,461	66,543	69,985	63,211	43,826
17,063	9,894	6,357	7,681	8,669	9,149	3,491	2,615
2,218	1,384	1,683	661	396	1,295	274	16
(726)	244	(442)	406	(450)	1,610	829	866
62,114	60,000	50,501	42,407	30,151	33,829	32,966	21,891
61,496	54,410	46,363	39,440	27,669	29,912	27,857	20,202
—	—	(2,152)	(1,748)	1,514	1,730	3,688	4,616
61,496	54,410	44,211	37,692	29,183	31,642	31,545	24,818
—	—	(13,800)	(15,250)	(6,865)	283	—	111
61,496	54,410	30,411	22,442	22,318	31,925	31,545	24,929
—	—	—	293	1,078	1,377	2,733	3,026
<u>\$ 61,496</u>	<u>\$ 54,410</u>	<u>\$ 30,411</u>	<u>\$ 22,149</u>	<u>\$ 21,240</u>	<u>\$ 30,548</u>	<u>\$ 28,812</u>	<u>\$ 21,903</u>
21,216,540	21,166,002	20,932,055	19,607,538	18,522,645	18,036,939	17,683,913	17,669,663
\$2.90	\$2.57	\$2.21	\$2.00	\$1.44	\$1.59	\$1.42	\$.97
—	—	(.10)	(.09)	.08	.10	.21	.26
2.90	2.57	2.11	1.91	1.52	1.69	1.63	1.23
—	—	(.66)	(.78)	(.37)	.01	—	.01
<u>\$2.90</u>	<u>\$2.57</u>	<u>\$1.45</u>	<u>\$1.13</u>	<u>\$1.15</u>	<u>\$1.70</u>	<u>\$1.63</u>	<u>\$1.24</u>
\$2.79	\$2.49	\$2.16	\$1.92	\$1.39	\$1.51	\$1.37	\$.95
—	—	(.10)	(.08)	.07	.08	.19	.24
2.79	2.49	2.06	1.84	1.46	1.59	1.56	1.19
—	—	(.61)	(.73)	(.33)	.01	—	.01
<u>\$2.79</u>	<u>\$2.49</u>	<u>\$1.45</u>	<u>\$1.11</u>	<u>\$1.13</u>	<u>\$1.60</u>	<u>\$1.56</u>	<u>\$1.20</u>
\$ 1,075	\$.98	\$.91	\$.87	\$.84	\$.79	\$.74	\$.68
22,711	20,497	18,095	15,921	9,554	8,586	7,774	7,012
38,785	33,913	28,268	23,226	17,037	19,949	17,350	10,164
454,144	423,259	345,510	293,844	249,793	237,217	214,810	187,224
55,634	59,259	38,954	30,325	45,086	69,365	34,679	23,610
18,303	14,482	10,711	10,499	9,875	9,779	6,426	6,323
225,870	189,880	148,858	149,052	153,564	155,880	111,840	89,212
216,649	210,055	124,800	147,530	77,035	83,172	47,786	41,339
2.1 to 1	2.2 to 1	1.8 to 1	2.4 to 1	1.6 to 1	1.7 to 1	1.4 to 1	1.4 to 1
20.0%	20.1%	19.3%	19.4%	16.3%	19.4%	19.0%	16.5%
4.11%	4.12%	4.48%	4.55%	3.71%	4.38%	4.71%	4.20%
25,912	24,711	18,300	17,452	16,794	15,693	13,754	13,161
27,174	27,493	28,537	30,044	33,426	29,626	29,586	24,024

Directors

EDWARD B. BATES*

President, Connecticut Mutual Life Insurance Company

CHRISTOPHER W. CARRIUOLO

Executive Vice President

JAMES F. ENGLISH, JR.*

Chairman, The Connecticut Bank and Trust Company

PETER M. FRASER

Retired Chairman and President
Connecticut Mutual Life Insurance Company

EDWARD H. HAMM

Vice President, The Northland Company
(A financial service company)

LEON W. HARMAN

President, Harman Management Corporation
(A franchisee for fast food outlets)

RALPH A. HART*

Consultant and Retired Chairman of the Board, Heublein, Inc.

CHARLES G. KLOCK†

Retired President, General Electric Credit Corporation

JOHN G. MARTIN*

Consultant and Retired Chairman of the Board, Heublein, Inc.

ARTHUR A. MILLIGAN†

President, Bank of A. Levy

WILLIAM H. MORTENSEN

Personal Investments

FRANCES HEUBLEIN O'DELL

Personal Investments

BARRY M. ROWLES

Vice President - Group Executive

LESTER M. SHIPPEE

Honorary Chairman, The Connecticut Bank and Trust Company

ROBERT L. TRESCHER††

Partner, Law Firm of Montgomery, McCracken, Walker & Rhoads

HICKS B. WALDRON*

President

STUART D. WATSON*

Chairman of the Board

WILLIAM T. YOUNG

Chairman, Royal Crown Cola Company
President, W. T. Young Storage, Inc.

*Members of Executive Committee

†Members of Audit Committee

Corporate Officers

STUART D. WATSON

Chairman & Chief Executive Officer

HICKS B. WALDRON

President & Chief Operating Officer

CHRISTOPHER W. CARRIUOLO

Executive Vice President

PAUL R. DOHL

Vice President—Group Executive
Spirits Group

J. RICHARD GRIEB

Vice President—Group Executive
Grocery Products Group

MICHAEL A. MILES

Vice President—Group Executive
International Group

JOHN A. POWERS

Vice President—Group Executive
Wines Group

BARRY M. ROWLES

Vice President—Group Executive
Food Service and Franchising Group

GEORGE CASPAR

Vice President, Secretary
and General Counsel

GENE R. EHLEN

Vice President and Controller

RICHARD C. FARR

Vice President—Human Resources

CHARLES J. HERBERT

Vice President
President, Spirits Sales Division

JOSEPH M. MCGARRY

Vice President
Communication & Public Affairs

JOHN J. MORAN

Vice President and Treasurer

ROY E. STONE

Vice President—Technical Resources

JAMES H. WILLE

Vice President
President, KFC Corporation



STUART D. WATSON



HICKS B. WALDRON



CHRISTOPHER W. CARRIUOLO



BARRY M. ROWLES



PAUL R. DOHL



MICHAEL A. MILES



JOHN A. POWERS



J. RICHARD GRIEB



RICHARD C. FARR



GEORGE CASPAR



CHARLES J. HERBERT



JOSEPH M. MCGARRY



JAMES H. WILLE



GENE R. EHNEN



ROY E. STONE



JOHN J. MORAN

Principal Offices

Corporate Headquarters

Farmington, Connecticut 06032 — Code 203 677-4061

Food Service and Franchising Group Headquarters

1441 Gardner Lane, Louisville, Kentucky 40213 — Code 502 459-8600

KFC Corporation

Retail Venture Company

Grocery Products Group Headquarters

430 New Park Avenue, Hartford, Connecticut 06101 — Code 203 233-7531

International Group Headquarters

Farmington, Connecticut 06032 — Code 203 677-4061

Spirits Group Headquarters

330 New Park Avenue, Hartford, Connecticut 06101 — Code 203 233-7531

Arrow Sales Company

Smirnoff Sales Company

Heublein Wines International

Venture Sales Company

Wines Group Headquarters

601 Fourth Street, San Francisco, California 94107 — Code 415 421-3213

United Vintners, Inc.

Annual Shareholders' Meeting

The annual meeting of shareholders of Heublein, Inc. will be held at 10:00 a.m. Thursday, October 23, 1975, in the Grand Ballroom of the Sheraton-Hartford Hotel, Trumbull Street at Civic Center Plaza, Hartford, Connecticut

Transfer Agents

The Bank of New York

90 Washington Street, New York, New York 10015

Bank of America, N.T. & S.A.

55 Hawthorne Street, San Francisco, California 94105

Third National Bank in Nashville

Uptown Station, P.O. Box 2844, Nashville, Tennessee 37219

Registrars

Morgan Guaranty Trust Company of New York

30 West Broadway, New York, New York 10015

Wells Fargo Bank, N.A.

475 Sansome Street, San Francisco, California 94111

First American National Bank

326 Union Street, Nashville, Tennessee 37237

Trustees

4½% Convertible Subordinated Debentures

United States Trust Company of New York

48 Wall Street, New York, New York 10015

8½% Notes

Morgan Guaranty Trust Company of New York

23 Wall Street, New York, New York 10015

Heublein's 1975 Annual Report on Form 10-K as filed with the Securities and Exchange Commission will be available upon request from the Corporate Secretary, Heublein, Inc., Farmington, Connecticut 06032.

Dividends Declared & Stock Price Ranges

Stock Price Range*

	Quarter	Dividend	High	Low
1975	4	\$.275	46¾	34¾
	3	.275	40	20½
	2	.275	28½	17¾
	1	.25	43½	19½
1974	4	.25	46½	39½
	3	.25	52¼	42
	2	.25	61½	46½
	1	.23	62	40½

*New York Stock Exchange

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HEUBLEIN INC. FARMINGTON CONNECTICUT 06032